MELVILLE SHOE CORPORATION

43rd Annual Report

1956

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MELVILLE SHOE CORPORATION

Annual Report

Executive Offices: 25 West 43rd Street, New York 36, N. Y.

Accounting and General Offices: 44 Hammond Street, Worcester 10, Mass.

DIVISIONAL OFFICES

Manufacturing . . . . . **J. F. McELWAIN COMPANY**

Factories: Nashua, N. H. (4) • Manchester, N. H. (7) • Athol, Mass. (2)

Offices: 103 Temple Street, Nashua, N. H. • 140 Federal Street, Boston 10, Mass.

Retailing . . . . . **THOM McAN SHOE COMPANY**

Offices: 25 West 43rd Street, New York 36, N. Y.
44 Hammond Street, Worcester 10, Mass.

Warehouses: 44 Hammond Street, Worcester 10, Mass.
3 Entin Road, Clifton, N. J.

MILES SHOES

Executive Offices and Warehouse: 459 West 59th Street, New York 19, N. Y.

JOHN WARD MEN'S SHOES

Office: 26 East 42nd Street, New York 17, N. Y.

Warehouse: 44 Hammond Street, Worcester 10, Mass.

Counsel: DAVIS POLK WARDWELL SUNDERLAND & KIENDL
Auditors: PEAT, MARWICK, MITCHELL & CO.

Transfer Agent: IRVING TRUST COMPANY, *1 Wall Street, New York 15, N. Y.*
Registrar: CITY BANK FARMERS TRUST CO., *22 William Street, New York 15, N. Y.*

▶ *Annual Meeting of Stockholders will be held in New York on April 9, 1957*

MELVILLE SHOE CORPORATION

Directors:

WARD MELVILLE, *Chairman*
J. FRANKLIN McELWAIN, *Honorary Chairman*

FREDERIC ATTWOOD
ROBERT C. ERB
LESTER R. FALLON
JOEL E. FISHER
FRANCIS H. GLEASON
DAVID W. HERRMANN
JOSEPH L. MERRILL
FRANCIS P. MURPHY
SPENCER D. OETTINGER
SEWARD M. PATERSON
MURRAY M. ROSENBERG
J. BRENT WELLS

Executive Committee: MURRAY M. ROSENBERG, *Chairman*
FREDERIC ATTWOOD
ROBERT C. ERB
DAVID W. HERRMANN
J. FRANKLIN McELWAIN
WARD MELVILLE
JOSEPH L. MERRILL

Officers:

WARD MELVILLE, *Chairman of the Board*
ROBERT C. ERB, *President*
DAVID W. HERRMANN, *Executive Vice President*
JOSEPH L. MERRILL, *Vice President, Finance*
LESTER R. FALLON, *Vice President*
JOHN B. FITCH, *Vice President, Personnel & Public Services*
FRANCIS H. GLEASON, *Vice President*
WILLIAM H. MUCKLEY, *Vice President, Hosiery Merchandising*
SPENCER D. OETTINGER, *Vice President*
FRANCIS C. ROONEY, JR., *Vice President, Men's & Boys' Footwear Merchandising*
LEONARD A. SHEA, *Vice President, Gen. Mgr. of Thom McAn Gold Line Chain*
LAFAYETTE A. TREMBLAY, *Vice Pres., Gen. Mgr. of Thom McAn White Front Chain*
J. BRENT WELLS, *Vice President, Sales Promotion and Public Relations*
H. ALBERT BRODIN, *Treasurer and Assistant Secretary*
JOEL E. FISHER, *Secretary*
FRANK SOKOL, *Assistant Treasurer and Comptroller*
RANDALL D. ESTEN, DAVID B. MELVILLE, ARTHUR PAAR, BERTHA K. SMITH, HAROLD R. WICKHAM, *Assistant Secretaries*

Divisional Directors and Officers

	J. F. McElwain Co.	**Miles Shoes**	**Thom McAn Shoe Co.**	**John Ward Men's Shoes**
Directors:				
Chairman	J. FRANKLIN McELWAIN	MURRAY M. ROSENBERG	WARD MELVILLE	ROBERT C. ERB
	ROBERT C. ERB RANDALL D. ESTEN FRANCIS H. GLEASON JAMES C. MACKAY WARD MELVILLE JOSEPH L. MERRILL FRANCIS P. MURPHY ROBERT A. T. NELSON SEWARD M. PATERSON	KENNETH K. BERLAND MEYER BOGORFF ROBERT C. ERB ARTHUR B. GOLD DAVID W. HERRMANN SPENCER D. OETTINGER LEON RICHMAN ALFRED L. ROSE MILES ROSENBERG SAMUEL H. ROSENBERG	H. ALBERT BRODIN ROBERT C. ERB LESTER R. FALLON JOEL E. FISHER DAVID W. HERRMANN LEONARD A. SHEA LAFAYETTE A. TREMBLAY	H. ALBERT BRODIN JOEL E. FISHER JOHN J. GAVIN DAVID B. MELVILLE
Officers:				
President	FRANCIS H. GLEASON	MURRAY M. ROSENBERG	LESTER R. FALLON	JOHN J. GAVIN
Exec. Vice Pres.	———	SPENCER D. OETTINGER	———	———
Vice Presidents	JAMES C. MACKAY FRANCIS P. MURPHY ROBERT A. T. NELSON SEWARD M. PATERSON	SYLVAN BANE MEYER BOGORFF JOSEPH B. FRIEDLANDER ARTHUR B. GOLD NICHOLAS G. KUHN LEON RICHMAN SAMUEL H. ROSENBERG VINCENT STURNIOLO RICHARD J. WARREN	LEONARD A. SHEA LAFAYETTE A. TREMBLAY	DAVID B. MELVILLE
Treasurer	RANDALL D. ESTEN	LEON RICHMAN	H. ALBERT BRODIN	H. ALBERT BRODIN
Asst. Treas.	AGNES H. FISCHER	———	———	———
Secretary	RANDALL D. ESTEN	MILES ROSENBERG	JOEL E. FISHER	JOEL E. FISHER
Comptroller	CLINTON P. WALLACE	KENNETH K. BERLAND		

MELVILLE REALTY COMPANY, INC.

ARTHUR PAAR, *President*
ALBERT C. BLUNT 3rd, *Vice President*
DAVID W. HERRMANN, *Vice President*
LEON RICHMAN, *Vice President*
LEONARD A. SHEA, *Vice President*
JAMES O. THOMAS, *Vice President*
H. ALBERT BRODIN, *Treasurer and Assistant Secretary*
JOEL E. FISHER, *Secretary*
BERTHA K. SMITH • RICHARD J. WARREN, *Assistant Secretaries*
FRANK SOKOL, *Assistant Treasurer*

Directors:
H. ALBERT BRODIN
JOHN B. FITCH
LESTER R. FALLON
ARTHUR PAAR
JOEL E. FISHER
JAMES O. THOMAS

MELVILLE SHOE CORPORATION

25 West 43rd Street, New York 36, N. Y.

To the Stockholders of Melville Shoe Corporation:

Operation highlights for the year 1956 compared with 1955 are summarized on page 5 and detailed comparative financial statements appear on pages 6, 7 and 8.

Sales and earnings in 1956 rose to new highs.

Store sales for the year increased $9,265,901 or 8.7% over last year to $115,987,762. Net sales increased $11,628,699 or 10.2% to $126,124,405 as compared to $114,495,706 in 1955. Sales to others, not including sales to armed forces, were $42,835,945 or an increase of 3.3% over the previous year. Sales to the armed forces increased $2,403,339 to $5,328,203, an increase of 82.2%.

Earnings before Federal taxes amounted to $11,504,253, an increase of $262,924 compared with $11,241,329 for the previous year, an increase of 2.3%.

Earnings after Federal taxes rose to $6,112,253, an increase of $226,561 compared with $5,885,692 in 1955, an increase of 3.8%. Earnings per share of common stock were $1.95 compared with $1.87 in 1955 on present capitalization, an increase of 4.3%. In stating these figures, for purposes of comparison, 20¢ a share has been deducted from the previously reported 1955 earnings, representing an amount equivalent to the dividend paid in 1956 on Class B Preferred Stock. Non-recurring real estate earnings of 17¢ a share are excluded from the 1955 figures.

Cash dividends on the common stock during the year amounted to $1.80 per share. The cash dividend for 1956 on the tax free preferred stock dividend of 1/20 of a share of $100. par value ($5. face amount) 4% preferred stock issued in December 1955 on each share of common stock was the equivalent of 20¢ per share on the common stock. Stockholders were advised on December 8, 1955, that the adjusted cost of the Common Stock was 87.1651% and of the Class B Preferred Stock was 12.8349% of the original cost of the Common Stock to such stockholders, these ratios representing the relative market values at the date of distribution.

We continued to maintain a strong financial condition with cash and governments exceeding our current liabilities by $3,560,831. Our depreciation charges of $2,156,730 provided 53% of our expenditures for capital improvements of $4,066,177.

During 1956 we opened 75 stores, the largest number in any year in the history of the company since 1928. Most of the new stores were opened in shopping centers in various parts of the country, thus recognizing the continued trend to these suburban markets. In this way we are enabled to offer our product to an increasing number of customers and can satisfy the demand for convenience in shopping. These stores are generally larger in view of our carrying to these areas our full line of shoes and related merchandise for men, boys, women and children.

In view of several years of expanding it was necessary for us to open another warehouse to enable us to serve our stores better. This new warehouse in Clifton, New Jersey will service our complete line of Thom McAn women's and girls' merchandise.

Your management has continued to provide fair compensation and good working conditions, with a considerate attitude for all workers in the business. It has tried to do this without losing sight of the essential need for supplying exceptional values and attractive prices for our customers.

We extend our sincere thanks to our stockholders who have helped us with their suggestions for improving our affairs and invite others to do the same.

We are grateful to all our associates and co-workers in our stores, warehouses, factories and offices for their splendid cooperation in our sincere effort to serve our customers well.

Respectfully submitted,

Ward Melville

CHAIRMAN OF THE BOARD

Robert C. Rich

PRESIDENT

March 15, 1957

Description of the Business

MELVILLE SHOE CORPORATION, founded in 1892 and incorporated in 1914, is the largest integrated shoe manufacturing-retailing organization in the United States. At the year-end it operated 947 stores in 453 cities in 43 states and the District of Columbia; 13 factories in New Hampshire and Massachusetts; 3 warehouses, one each in Worcester, Massachusetts; Clifton, New Jersey and New York City. From Worcester, Thom McAn men's and boys' shoes and John Ward shoes are distributed to 750 stores; from Clifton, Thom McAn women's and girls' shoes are distributed to 190 stores and from New York City, Miles shoes are distributed to 197 stores.

The Worcester warehouse and office building serves as a record keeping and accounting center for all Thom McAn stores and the New York City warehouse and office building for all Miles stores. Each warehouse is a merchandise distribution center for its respective stores. Two executive offices are maintained in New York City, one for each of the principal retailing divisions, and one in Boston for the factories. A separate general office for the John Ward stores is maintained in New York City. The J. F. McElwain Company general offices are in Nashua, New Hampshire.

Of the 750 stores supplied out of the Worcester warehouse, 739 are Thom McAn stores selling popular-priced men's and boys' shoes; 11 are John Ward stores located in the East, selling medium-priced men's shoes. The first Thom McAn store was opened in 1922. 190 of the 739 Thom McAn stores sell women's and children's shoes in addition to men's and boys'. These family stores selling men's, boys', women's and children's shoes are principally in neighborhoods and shopping centers where they may operate more profitably than stores selling men's and boys' only. Pair sales of the company are about equally divided between men's and boys' as compared to women's and children's footwear.

In 1939 Melville Shoe Corporation and J. F. McElwain Company, which had worked together in closest harmony for eighteen years, were merged. The J. F. McElwain Company operates as a division of Melville Shoe Corporation and manufactures Thom McAn men's, boys' and children's shoes. The manufacturing and distributing operations, although under one ownership, and although closely coordinated with merchandising, remain entirely separate in operation — one concentrating on production and the other on distribution.

As of October 1, 1952 Miles Shoes Incorporated was consolidated with the company and is operated as a division of Melville Shoe Corporation. This division's 197 stores are located principally in the east, in 111 cities in 12 states and the District of Columbia. Although they retail men's and boys' shoes, their sales are predominantly in women's and children's shoes and related women's merchandise. This companion division permits further flexibility in the distribution of shoes to areas or locations more suitable to the profitable sales of women's merchandise. These stores specialize in popular-priced lines of women's and children's shoes.

MSC Highlights

	1956	1955	Percent Change
Sales:			
Stores	$115,987,762	$106,721,861	+ 8.7
Factory and Warehouse	42,835,945	41,466,204	+ 3.3
To Armed Forces	5,328,203	2,924,864	+82.2
Total Sales	164,151,910	151,112,929	+ 8.6
Inter-Division Sales	38,027,505	36,617,223	+ 3.9
Net Sales	126,124,405	114,495,706	+10.2
Earnings Before Federal Taxes	11,504,253	11,241,329 (1)	+ 2.3
Net Earnings After Federal Taxes	6,112,253	5,885,692 (1)	+ 3.8
Net Earnings Percent of Total Sales	3.72%	3.89%	
Net Earnings Percent of Net Sales	4.85%	5.14%	
Earnings Per Share of Common Stock	1.95	1.87 (2)	+ 4.3
Earnings Per Share of Common Stock	2.15 (3)	2.07 (3)	+ 3.9
Dividends on Preferred Stock Series A	101,636	102,128	– .5
Dividends on Preferred Stock Series B	558,092		
Dividends on Common Stock	5,022,818	5,022,818	
Dividends Per Share of Common Stock	1.80 (4)	1.80	
Wages and Compensation	32,750,903	29,774,594	+10.0
Taxes – Federal, State and Local	7,644,654	7,510,863	+ 1.8
Taxes – Per Share of Common Stock	2.74	2.69	+ 1.8
Cash and Governments (5)	16,121,586	20,306,669	–20.6
Inventories	18,587,566	15,479,906	+20.1
Total Current Assets	31,698,364	32,893,168	– 3.6
Total Current Liabilities	7,368,969	7,089,991	+ 3.9
Net Working Capital	24,329,395	25,803,177	– 5.7
Ratio of Working Capital	4.30	4.64	– 7.6
Capital Additions and Improvements	4,066,177	2,556,822	+59.0
Depreciation	2,156,730	1,983,039	+ 8.8
Maintenance and Repairs	767,477	690,088	+11.2
Property, Plant, Equipment at Cost	25,923,596	22,784,670	+13.8
Accumulated Depreciation and Amortization	16,144,751	14,800,678	+ 9.1
Property, Plant, and Equipment, Net	9,778,845	7,983,992	+22.5
Number of Stockholders	20,209	18,638	+ 8.4
Number of Employees	8,473	7,906	+ 7.2
Number of Stores	947	886	+ 6.9
Number of Shares of Preferred Stock	160,780	160,973	– .1
Number of Shares of Common Stock	2,790,458	2,790,458	

(1) Excluding non-recurring real estate profit

(2) On present Capitalization excluding non-recurring real estate profit

(3) Before deduction of 20¢ a share representing an amount equivalent to the dividend on the Class B Preferred Stock

(4) The cash dividend for 1956 on the tax-free dividend of 1/20th of a share of Class B 4% Preferred Stock, issued in December 1955 on each share of Common Stock, was the equivalent of 20¢ a share on the Common Stock

(5) Includes government securities purchased to cover tax liability

MELVILLE SHOE CORPORATION

Statement of Consolidated Financial Condition as

ASSETS	*1956*	*1955*
Current assets:		
Cash	$10,929,800	$15,015,801
United States Government securities, at cost plus accrued interest.	5,191,786	5,290,868
Less deduction from liability for Federal taxes on income	5,191,786	5,290,868
	—	—
Accounts receivable, less provision for possible losses	1,342,700	1,143,299
Cash surrender value of life insurance policies on lives of officers.	—	367,615
Inventories (note 1):		
Finished goods	16,737,820	13,415,781
Work in process, raw materials and supplies	1,849,746	2,064,125
	18,587,566	15,479,906
Prepaid expenses	838,298	886,547
Total current assets	31,698,364	32,893,168
Property, plant and equipment, at cost:		
Land and buildings	1,392,738	1,327,281
Machinery and equipment	2,324,447	1,940,150
Store and office fixtures, improvements to leased properties and miscellaneous equipment	22,206,411	19,517,239
	25,923,596	22,784,670
Less accumulated depreciation and amortization	16,144,751	14,800,678
	9,778,845	7,983,992
Investments:		
Investment in and advances to non-consolidated subsidiary (note 2)	845,000	425,000
Miscellaneous investments, at cost, advances and sundry deposits	250,001	332,278
	1,095,001	757,278
	$42,572,210	$41,634,438

See accompanying notes to financial statements on page 9

and Subsidiary Companies

of December 31, 1956 with Comparative Figures for 1955

LIABILITIES	*1956*	*1955*
Current liabilities:		
Accounts payable	$ 4,364,544	$ 4,072,189
Accrued expenses	2,837,858	2,725,347
Federal taxes on income	5,358,353	5,583,323
Less United States Government securities	5,191,786	5,290,868
	166,567	292,455
Total current liabilities	7,368,969	7,089,991
Provision for self-insurance, retirement payments, etc. (note 3)	518,351	270,790
Stockholders' equity:		
Capital stock:		
Cumulative preferred stock, par value $100 each, issuable in series. Authorized 250,000 shares		
Issued and outstanding:		
Series A, $4.75 dividend (redeemable at $100 plus accrued dividends), 21,500 shares less 243 shares acquired for cancellation under the sinking fund provision	2,125,700	2,145,000
Series B, $4.00 dividend, 139,523 shares (issued as a dividend on common stock, redeemable at amounts ranging from $103 from December 1, 1960 to $100 after December 1, 1966, plus accrued dividends in each case)	13,952,300	13,952,300
	16,078,000	16,097,300
Common stock, par value $1 each. Authorized, 3,500,000 shares; issued and outstanding, 2,790,458 shares (notes 4 and 5)	11,899,873	11,899,047
	27,977,873	27,996,347
Balance of earnings retained for use in the business	6,707,017	6,277,310
Total stockholders' equity	34,684,890	34,273,657
Commitments and contingent liabilities (notes 2 and 4).		
	$42,572,210	$41,634,438

MELVILLE SHOE CORPORATION

and Subsidiary Companies

Statement of Consolidated Earnings and Balance of Consolidated Earnings Retained for Use in the Business. Year ended December 31, 1956, with comparative figures for 1955

	1956	*1955*
Sales:		
Stores	$115,987,762	$106,721,861
Factories and warehouse	48,164,148	44,391,068
	164,151,910	151,112,929
Less inter-division sales	38,027,505	36,617,223
Net sales	126,124,405	114,495,706
Other income, including, in 1955, profit from sale of real estate $638,402	298,482	947,360
	126,422,887	115,443,066
Cost of sales and store operating, selling, general and administrative expenses (exclusive of following deductions)	112,185,193	101,162,159
	14,237,694	14,280,907
Deduct:		
Depreciation and amortization	2,156,730	1,983,039
Employees' retirement plans (note 3)	571,511	345,706
Other charges	5,200	72,431
	2,733,441	2,401,176
	11,504,253	11,879,731
Provision for Federal taxes on income	5,392,000	5,525,000
Net earnings	6,112,253	6,354,731
Balance of earnings retained for use in the business at beginning of year	6,277,310	18,999,825
	12,389,563	25,354,556
Deduct:		
Cash dividends paid:		
Preferred stock, Series A, $4.75 a share	101,636	102,128
Preferred stock, Series B, $4.00 a share*	558,092	—
Common stock, $1.80 a share*	5,022,818	5,022,818
Stock dividend paid on common stock: 1/20th of a share of $100 par value $4.00 cumulative preferred stock, Series B, on each share of outstanding common stock	—	13,952,300
	5,682,546	19,077,246
Balance of earnings retained for use in the business at end of year	$ 6,707,017	$ 6,277,310

*The cash dividend for 1956 on the tax-free dividend of 1/20th of a share of Class B 4% Preferred Stock, issued in December 1955 on each share of Common Stock, was the equivalent of 20¢ a share on the Common Stock.

See accompanying notes to financial statements.

PEAT, MARWICK, MITCHELL & CO.
CERTIFIED PUBLIC ACCOUNTANTS
SEVENTY PINE STREET
NEW YORK 5, N. Y.

Accountants' Report

To the Board of Directors and Shareholders of Melville Shoe Corporation:

We have examined the statement of consolidated financial condition of Melville Shoe Corporation and subsidiary companies as of December 31, 1956 and the related statement of earnings and balance of earnings retained for use in the business for the year then ended. Our examination, which included all divisions and companies except the Miles Shoes Division and related subsidiaries (which are of major importance), was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. As regards the Miles Shoes Division and related subsidiaries, the accounts of which are incorporated in the accompanying consolidated financial statements, we have been furnished with the report of S. D. Leidesdorf & Co., Certified Public Accountants.

In our opinion, based on our examination and on the report referred to in the paragraph above, the accompanying statement of consolidated financial condition and statement of consolidated earnings and balance of consolidated earnings retained for use in the business present fairly the financial position of Melville Shoe Corporation and subsidiary companies at December 31, 1956 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

PEAT, MARWICK, MITCHELL & CO.

New York, N. Y., February 21, 1957.

NOTES TO FINANCIAL STATEMENTS

1. Approximately 38% of the consolidated inventories are valued at last-in, first-out (Lifo) cost, which is substantially below market. The remaining portion of inventories is valued at the lower of cost or market, based mainly on the retail inventory method.

2. The investment in and advances to a non-consolidated subsidiary represent the ownership of all outstanding common stock in the amount of $300,000 and advances of $545,000. There is outstanding and held by others 150 shares ($15,000) of 5% voting preferred stock, constituting 37½% of the voting control. In 1955 the subsidiary constructed a warehouse and office building which it financed by means of a $3,000,000 3½% note, payable in quarterly installments ranging from $16,000 to $47,000, with interest, maturing in 1984. Payment of the amount outstanding at December 31, 1956, $2,909,000, is unconditionally guaranteed by Melville Shoe Corporation. Approximately 50% of the space is rented by Miles Shoes Division. The underlying net book value pertaining to the common stock and advances at December 31, 1956, based on unaudited financial statements amounted to approximately $815,000.

3. Pension costs charged to earnings in 1956 represent provision in respect of the unfunded factory employees' plan. This plan is part of a union agreement which is subject to automatic renewal annually, unless notice is given by either party, though the plan itself is not subject to negotiation during an initial five year period ending in 1958. It is intended to make annual provision sufficient during the five year period to cover pensions for life to factory employees expected to retire during the period. The liability for such pensions at the end of the five year period is estimated at $775,000 (net of Federal income taxes) of which $425,000 has been provided in the accounts.

Miles Shoes Division has a pension plan instituted in 1955 for its non-union store employees which may be modified or terminated at any time. It is presently intended to provide reserves sufficient to cover pensions for life (net of income taxes) at the time of retirement of each employee.

The Company also has a fully-funded trusteed plan which was instituted in 1944. No contribution was required to be made under this plan in 1956.

4. Additional capital amounting to $9,066,897, which arose from conversion of 4% preferred shares into common shares prior to redemption of the 4% preferred issue in February 1950, is included in common stock capital in accordance with statutory requirements. Common stock capital also includes $41,692 capital arising from purchase by Miles Shoes Incorporated of its preferred shares under par value before consolidation, September 30, 1952 and $826 resulting from the purchase in 1956 for retirement of Series A preferred stock at less than par value.

5. In April 1956 the Board of Directors granted restricted stock option to the President and the Executive Vice-President to purchase 10,000 shares each of common stock of the Corporation at a price of $31⅜ per share, which was the market value on the date the options were granted. Each of the options, which expire on the earlier of March 31, 1966 or within three months after the termination of employment, are exercisable cumulatively at the rate of 2,000 shares per year. None of the options was exercised during the year.

6. At December 31, 1956 the total minimum annual fixed rentals payable under leases expiring after five years was approximately $3,566,000 plus real estate taxes, insurance etc., under certain leases. Leases covering about 79% of this amount expire on various dates within the next 14 years.

A Brief Review of 1956

Sales and earnings in 1956 rose to new highs. Net earnings for the year amounted to $6,112,253 as compared with $5,885,692 in 1955. On the present capitalization this is equivalent to $1.95 per share of common stock, after provision for preferred dividends, compared with $1.87 per share in 1955. In stating these figures, for purposes of comparison, 20¢ a share has been deducted from the previously reported 1955 earnings, representing an amount equivalent to the dividend paid in 1956 on Class B Preferred Stock. Non-recurring real estate earnings of 17¢ a share are excluded from the 1955 figures. Earnings before taxes were $11,504,253 compared with $11,241,329 in 1955.

Store sales increased to $115,987,762 compared with the previous year of $106,-721,861, an increase of $9,265,901. Total net sales were $126,124,405 compared with $114,495,706 in 1955.

During the year 75 stores were opened, the largest number in the history of the company since 1928. Of this number 66 were family stores selling men's, boys', women's and children's footwear and related merchandise—54 being Thom McAn and 12 being Miles stores.

In opening new retail units we continued to focus particular attention on family stores in suburban shopping centers. 49 family stores were opened during the year in shopping centers. Our continued rapid growth in the family store field has resulted in a marked increase in our sales of women's and girls' merchandise, at the same time maintaining the normal volume increase in our men's and boys' shoe sales. Sales of all footwear in 1956 were 16,946,017 pairs.

The increased volume in the sale of women's and girls' merchandise necessitated additional warehouse facilities. A new warehouse was opened in Clifton, New Jersey to handle all women's and girls' shoes which previously had been warehoused from Worcester. This added space alleviated to some extent the crowded condition in Worcester, thus enabling us to warehouse our increasing sales of men's and boys' merchandise more efficiently.

DISTRIBUTION OF SALES REVENUE

The distribution of the company's receipts from sales is as shown below:

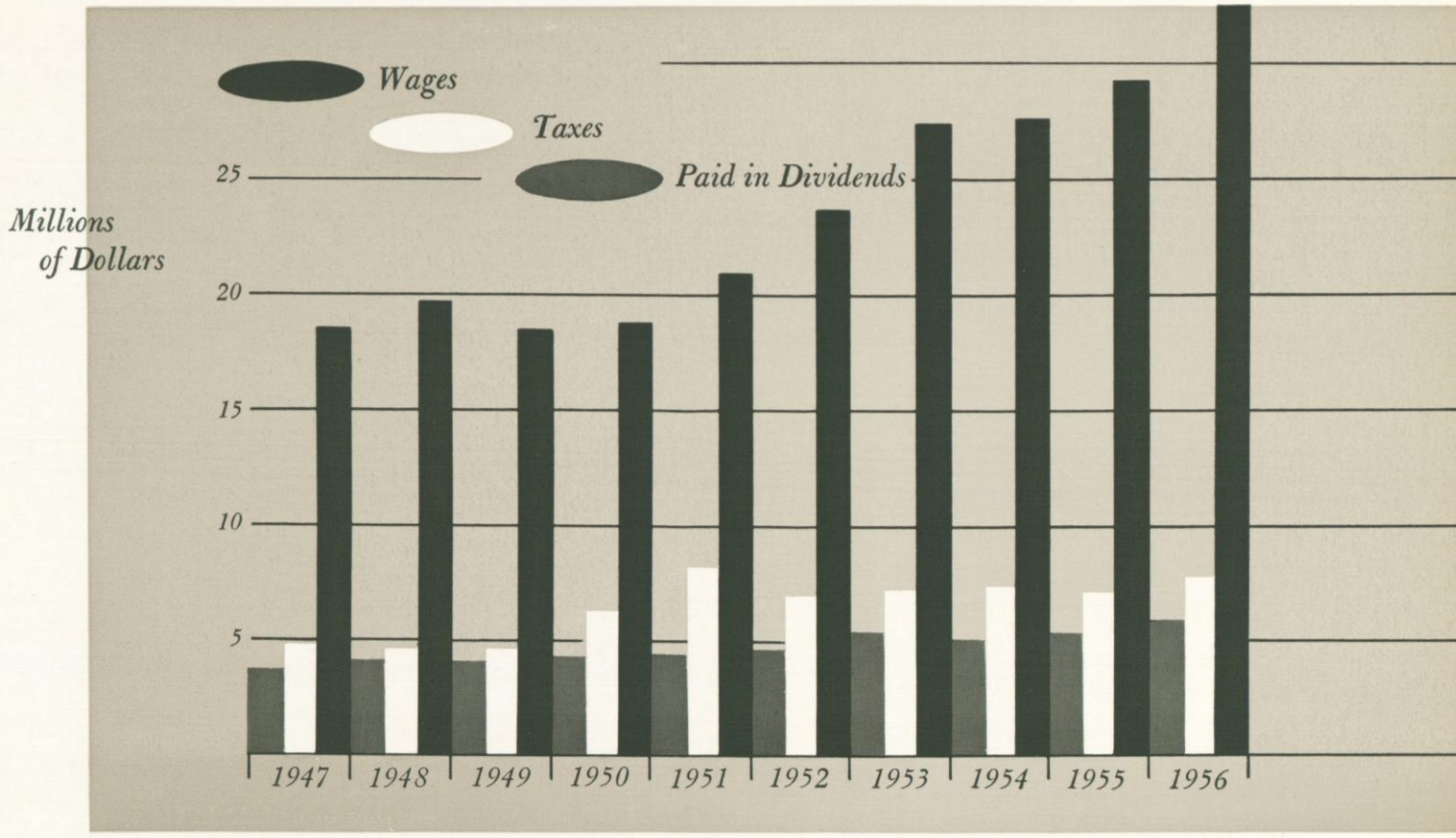
	1956	*1955*
The Company received from the sale of its products	$126,124,405	$114,495,706
The Company paid for materials, merchandise and all expenses, exclusive of taxes and amounts paid to or for the benefit of employees	79,616,595	71,324,557
Remainder	46,507,810	43,171,149
This was divided as follows:		
Wages and compensation	32,750,903*	29,774,594
Taxes	7,644,654	7,510,863
Paid to stockholders or retained in the business	6,112,253	5,885,692

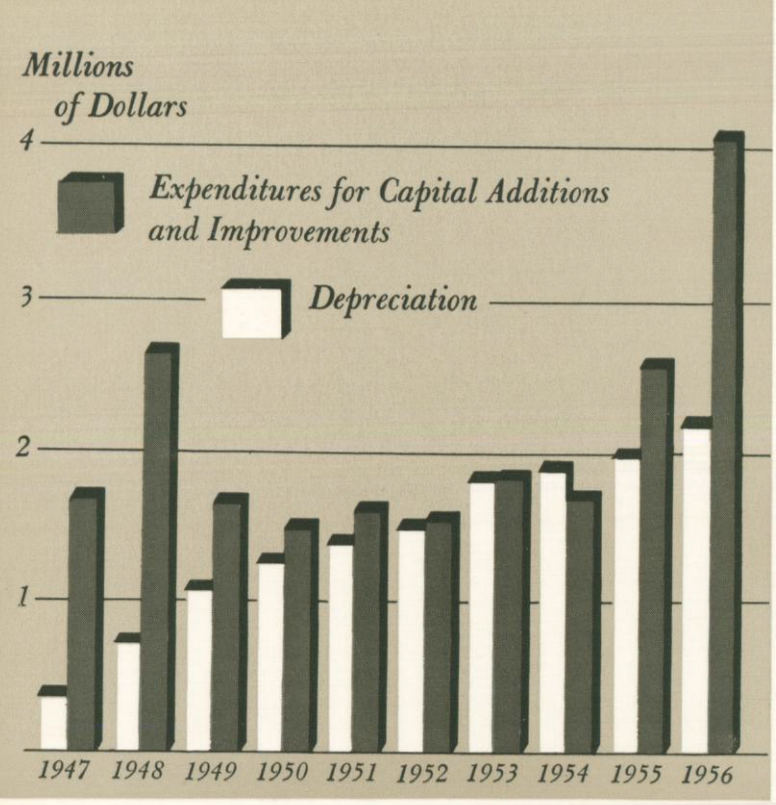
**The highest in the history of the Company*

After payments for materials, merchandise, taxes and other necessary expenses, 84% of the balance went to the company's 8,473 employees and 16% was paid to the 20,209 stockholders or retained in the business to provide for expansion.

Federal, state and local taxes were equivalent to $2.74 per share of common stock outstanding compared with $2.69 per share in 1955. This is 41% more than the $1.95 net earnings after taxes per share for common stock in 1956.

Provision for Federal income taxes amounted to $5,392,000 which is equal to $1.93 per share of common stock outstanding.





FINANCIAL POSITION

We continued in a strong financial position with cash and governments at the end of the year amounting to $16,121,586. Our ratio of current assets to current liabilities was 4.30 to 1 compared with 4.64 to 1 on December 31, 1955. Although inventories increased to provide for sales increases, they are valued substantially below current market prices, and the fixed assets of the company are conservatively carried well under replacement values. During the year no officer or director was in debt to the company in any amount.

STORES

In 1956 the company remodelled, enlarged or otherwise improved 27 stores. 16 stores were replaced by new stores in different locations in the same communities, 12 were closed and 75 new stores were opened.

ADVERTISING AND PUBLIC RELATIONS

The company maintained its program of dominant advertising in major markets, using newspapers, television and radio. A special division was established in our Advertising Department to handle the promotion of our family stores in shopping centers. We are continually testing new advertising techniques in selected markets. Those which prove successful are subsequently employed on a large scale.

Our public relations activities were intensified in 1956. With family store expansion, special efforts were made to attract women customers. A nationwide "Search for Cinderella" attracted 3,300 candidates and a multitude of voters to our retail stores. With the important young men's market in mind, Thom McAn supplied the dress and leisure shoes which all the men of the 1956 United States Olympic Team wore with their official dress and parade outfits. This was publicized in the press as well as in our store windows throughout the country.

A recent issue of "Public Relations News" featured as a case history Thom McAn's continuing community relations program, which is designed to identify us as good citizens and neighbors. We maintain in our stores a press relations manual to guide our local managers. Highlights of the program are the scholarships given as Thom McAn Success Awards, and the Football Trophy and Scholarship Award which is personally sponsored by Ward Melville, Chairman of the Board. These two activities enlist the participation of over 1,000 high schools.

DIVIDEND RECORD

Melville Shoe Corporation has paid dividends consecutively for 41 years since it began to function as a corporation. During the last 10 years the company has paid to its common stockholders 80% of its earnings after preferred dividends. It has not had an unprofitable year since it was organized in 1892.

STOCKHOLDERS

The company has 20,209 stockholders. According to surveys we have made from time to time, these stockholders live in all states of the Union, the District of Columbia, and in approximately 15 foreign countries. Of the total number, we have found that about 85% own 100 shares or less, and that 99% own less than 1,000 shares. Since each of many surveys made has provided substantially the same figures, we feel that in the interests of economy it will be unnecessary to make an annual study of this sort.

We drew attention to the fact that ours is a straight line operation depending for its success upon low operating costs. For that reason we like to avoid every unnecessary expenditure, even if it be small. It is evident that we have a wide distribution of our stockholders, that there are roughly twice as many stockholders as there are employees, and that they are for the most part small investors. This is not an unusual demonstration of the American system of capitalism in operation. We will be glad to have comments of any stockholder who would prefer us to provide more definite information on this point or any other.

PROXIES

Proxies will be solicited on or about March 18, 1957 for the Annual Meeting to be held in New York on April 9, 1957.

Statistical Record For Twenty-Five Years — *1932-1956*

Year	Stores at Year-end	Store Sales	Factory and Warehouse Sales	Total Sales	Net Sales	Wages and Compensation	Taxes-All	Earnings before Federal Income and Excess Profits Taxes	Earnings After Taxes	Dividends Paid
1932	499	$20,594,311	$8,497,864	$29,092,175	$21,732,165	$4,669,608	$ 367,652	$1,306,012	$1,185,338	$ 997,404
1933	535	21,112,783	10,631,665	31,744,448	22,499,867	5,367,621	592,982	2,345,562	2,069,059	930,139
1934	588	27,215,927	14,398,684	41,614,611	28,326,776	6,834,385	770,788	3,072,171	2,634,265	1,243,747
1935	609	30,355,524	16,947,267	47,302,791	31,420,675	7,765,484	871,106	3,477,078	3,001,984	1,744,450
1936	651	35,300,758	19,578,204	54,878,962	36,530,113	8,630,006	1,283,826	4,282,927	3,534,897	2,768,580
1937	690	38,155,438	22,199,736	60,355,174	39,377,533	9,976,537	1,335,660	3,344,873	2,801,695	2,896,674
1938	677	36,042,285	19,053,609	55,095,894	37,596,604	9,390,127	1,364,004	2,808,403	2,295,534	1,883,275
1939	663	38,326,853	21,721,707	60,048,560	40,873,780	9,913,010	1,625,112	3,873,292	3,141,161	2,404,514
1940	666	40,260,777	22,446,029	62,706,806	42,596,249	9,847,880	1,921,556	4,339,218	3,210,961	2,554,019
1941	659	46,653,910	28,588,553	75,242,463	51,359,632	11,982,680	2,789,468	4,753,348	2,924,275	2,542,354
1942	579	51,644,040	36,982,550	88,626,590	64,028,487	13,990,280	5,714,719	7,478,200	2,582,863	2,315,965
1943	556	39,238,096	29,288,336	68,526,432	51,564,039	11,778,538	2,985,542	4,674,122	2,452,069	2,315,137
1944	549	37,051,163	33,238,881	70,290,044	54,367,141	13,018,344	2,545,030	3,884,527	2,192,797	2,315,104
1945	536	41,216,792	34,956,285	76,173,077	56,846,202	14,038,031	3,008,300	4,631,577	2,400,907	2,309,018
1946	519	60,213,552	35,072,592	95,286,144	63,835,344	15,728,749	3,397,749	6,586,968	3,895,968	2,605,374
1947	519	71,992,773	48,566,594	120,559,367	77,145,950	18,747,576	4,971,733	9,437,690	5,419,690	3,686,212
1948	547	75,568,381	48,446,862	124,015,243	83,593,261	19,842,748	4,919,880	9,655,816	5,907,816	4,039,401
1949	560	71,864,212	43,292,986	115,157,198	78,028,920	19,258,854	4,640,645	9,099,339	5,538,010	4,094,286
1950	560	70,886,795	42,978,136	113,864,931	77,080,780	18,924,759	5,653,838	9,630,686	5,188,836	4,213,027
1951	577	71,075,477	54,847,259	125,922,736	92,740,699	21,052,294	7,228,010	10,456,529	4,669,369	4,212,803
1952	739	77,362,760	47,104,106	124,466,866	90,384,955	23,584,510	6,631,069	9,780,990	4,712,710	4,449,190
1953	794	99,551,584	45,613,054	145,164,638	108,870,972	27,327,473	6,962,746	10,933,798	5,732,798	5,124,943
1954	834	100,839,255	42,510,630	143,349,885	107,866,310	27,608,280	7,141,003	11,224,952	5,979,952	5,124,946
1955	886	106,721,861	44,391,068	151,112,929	114,495,706	29,774,594	7,510,863	11,241,329(1)	5,885,692(1)	5,124,946
1956	947	115,987,762	48,164,148	164,151,910	126,124,405	32,750,903	7,644,654	11,504,253	6,112,253	5,682,546

(1) Excluding non-recurring real estate profit.

J. F. McElwain Company figures are included, beginning with 1932; Miles Shoes figures are included from date of consolidation, Oct. 1, 1952.

MsC Stores of Melville Shoe Corporation

as of December 31, 1956

Thom McAn — 739 STORES *In 418 Cities in 43 States and the District of Columbia. Leased Departments (*), Agency (**)*

Miles Shoes — 197 STORES

In 111 Cities in 12 States and the District of Columbia

John Ward — 11 STORES

Newark • New York (8) • Philadelphia • Hempstead

THOM McAN STORES:

Alabama (7)
Birmingham (2)
Decatur
Mobile
Montgomery
Prichard
Tuscaloosa

Arizona (4)
Mesa
Phoenix (2)
Tucson

Arkansas (2)
Fort Smith
Little Rock

California (42)
Alhambra
Bakersfield
Compton
Daly City
Fresno
Glendale
Hayward
Hollywood
Huntington Park
Lakewood
Long Beach
Los Angeles (3)
Modesto
National City
North Hollywood
Oakland (2)
Palo Alto
Pasadena
Pomona (2)
Redwood City
Richmond
Sacramento (2)
San Bernardino
San Diego
San Francisco (5)
San Jose
San Mateo (2)
Santa Barbara
Santa Monica
Santa Rosa
Stockton
Van Nuys

Colorado (3)
Denver (3)

Connecticut (23)
Bridgeport (2)
Bristol
Danbury
Derby
East Hartford
Hamden
Hartford (3)
Meriden
Middletown
New Britain
New Haven (3)
New London
Norwich
South Manchester
South Norwalk
Stamford (2)
Waterbury

Delaware (1)
Wilmington

District of Columbia (5)
Washington (5)

Florida (31
Bradenton
Coral Gables
Daytona Beach
Fort Lauderdale (2)
Gainesville
Homestead
Jacksonville (4)
Key West
Lakeland
Miami (5)
Miami Beach
Orlando (2)
Panama City
Pensacola (2)
St. Petersburg
Tallahassee
Tampa (4)
West Palm Beach

Georgia (10)
Albany
Atlanta (3)
Augusta
Columbus (2)
Macon
Rome
Savannah

Idaho (1)
Boise

Illinois (39)
Aurora
Berwyn
Bloomington
Blue Island
Chicago (22)
Chicago Heights
Danville
Decatur
Galesburg
Hillside
Joliet
Kankakee
Moline
Peoria
Quincy
Rockford
Rock Island
Springfield

Indiana (15)
Anderson
Elkhart
Evansville
Fort Wayne (3)
Gary
Hammond
Indianapolis (2)
Lafayette
Marion
Muncie
Richmond
South Bend

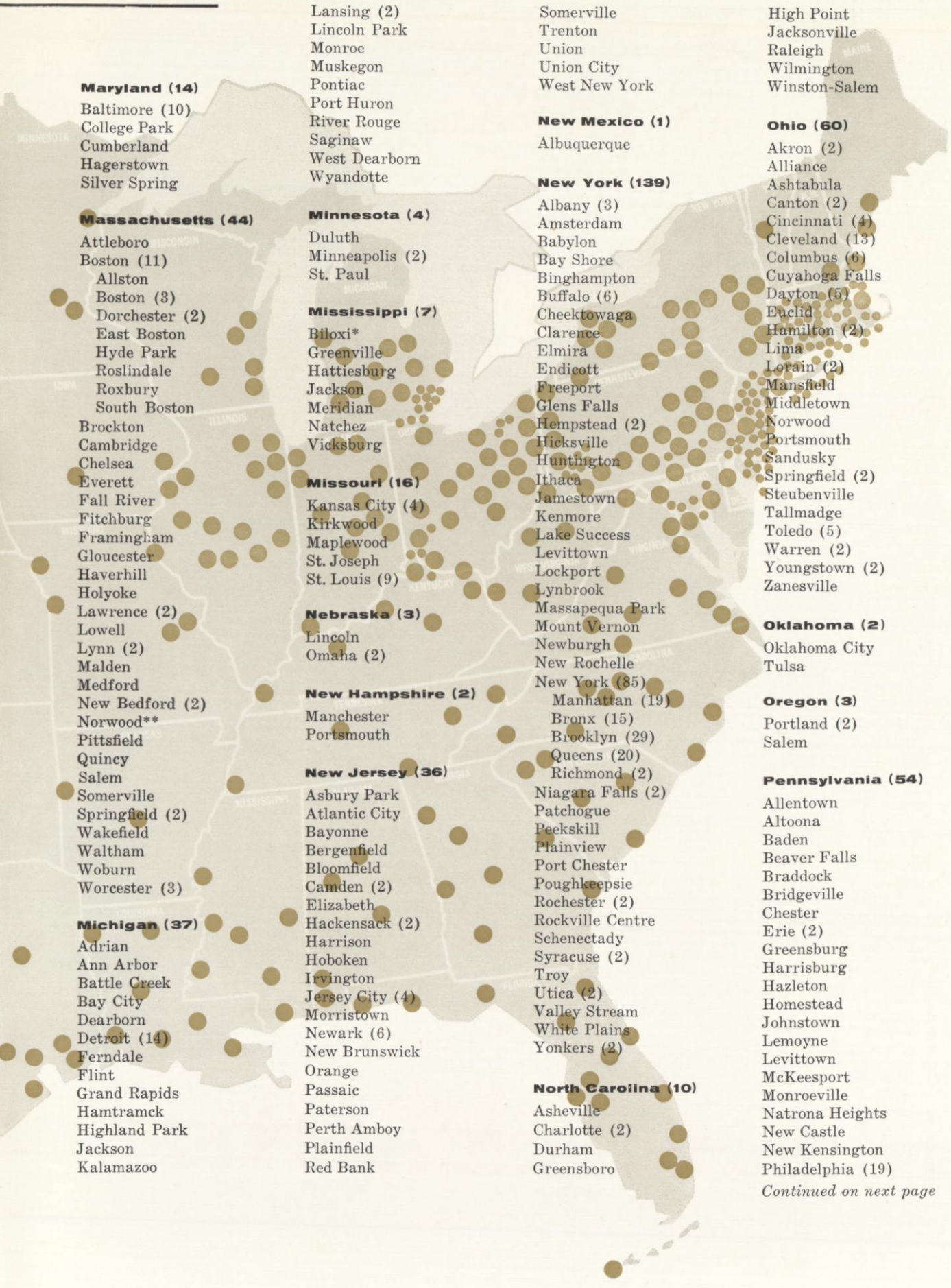
Iowa (2)
Davenport
Des Moines

Kansas (1)
Wichita

Kentucky (10)
Ashland*
Covington
Lexington
Louisville (4)
Newport
Owensboro
Paducah

Louisiana (10)
Alexandria
Baton Rouge
Lafayette
Lake Charles
Monroe
New Orleans (4)
Shreveport

Maine (2)
Lewiston
Portland



Maryland (14)
Baltimore (10)
College Park
Cumberland
Hagerstown
Silver Spring

Massachusetts (44)
Attleboro
Boston (11)
- Allston
- Boston (3)
- Dorchester (2)
- East Boston
- Hyde Park
- Roslindale
- Roxbury
- South Boston

Brockton
Cambridge
Chelsea
Everett
Fall River
Fitchburg
Framingham
Gloucester
Haverhill
Holyoke
Lawrence (2)
Lowell
Lynn (2)
Malden
Medford
New Bedford (2)
Norwood**
Pittsfield
Quincy
Salem
Somerville
Springfield (2)
Wakefield
Waltham
Woburn
Worcester (3)

Michigan (37)
Adrian
Ann Arbor
Battle Creek
Bay City
Dearborn
Detroit (14)
Ferndale
Flint
Grand Rapids
Hamtramck
Highland Park
Jackson
Kalamazoo
Lansing (2)
Lincoln Park
Monroe
Muskegon
Pontiac
Port Huron
River Rouge
Saginaw
West Dearborn
Wyandotte

Minnesota (4)
Duluth
Minneapolis (2)
St. Paul

Mississippi (7)
Biloxi*
Greenville
Hattiesburg
Jackson
Meridian
Natchez
Vicksburg

Missouri (16)
Kansas City (4)
Kirkwood
Maplewood
St. Joseph
St. Louis (9)

Nebraska (3)
Lincoln
Omaha (2)

New Hampshire (2)
Manchester
Portsmouth

New Jersey (36)
Asbury Park
Atlantic City
Bayonne
Bergenfield
Bloomfield
Camden (2)
Elizabeth
Hackensack (2)
Harrison
Hoboken
Irvington
Jersey City (4)
Morristown
Newark (6)
New Brunswick
Orange
Passaic
Paterson
Perth Amboy
Plainfield
Red Bank
Somerville
Trenton
Union
Union City
West New York

New Mexico (1)
Albuquerque

New York (139)
Albany (3)
Amsterdam
Babylon
Bay Shore
Binghampton
Buffalo (6)
Cheektowaga
Clarence
Elmira
Endicott
Freeport
Glens Falls
Hempstead (2)
Hicksville
Huntington
Ithaca
Jamestown
Kenmore
Lake Success
Levittown
Lockport
Lynbrook
Massapequa Park
Mount Vernon
Newburgh
New Rochelle
New York (85)
- Manhattan (19)
- Bronx (15)
- Brooklyn (29)
- Queens (20)
- Richmond (2)

Niagara Falls (2)
Patchogue
Peekskill
Plainview
Port Chester
Poughkeepsie
Rochester (2)
Rockville Centre
Schenectady
Syracuse (2)
Troy
Utica (2)
Valley Stream
White Plains
Yonkers (2)

North Carolina (10)
Asheville
Charlotte (2)
Durham
Greensboro
High Point
Jacksonville
Raleigh
Wilmington
Winston-Salem

Ohio (60)
Akron (2)
Alliance
Ashtabula
Canton (2)
Cincinnati (4)
Cleveland (13)
Columbus (6)
Cuyahoga Falls
Dayton (5)
Euclid
Hamilton (2)
Lima
Lorain (2)
Mansfield
Middletown
Norwood
Portsmouth
Sandusky
Springfield (2)
Steubenville
Tallmadge
Toledo (5)
Warren (2)
Youngstown (2)
Zanesville

Oklahoma (2)
Oklahoma City
Tulsa

Oregon (3)
Portland (2)
Salem

Pennsylvania (54)
Allentown
Altoona
Baden
Beaver Falls
Braddock
Bridgeville
Chester
Erie (2)
Greensburg
Harrisburg
Hazleton
Homestead
Johnstown
Lemoyne
Levittown
McKeesport
Monroeville
Natrona Heights
New Castle
New Kensington
Philadelphia (19)

Continued on next page

Pittsburgh (4)
Pottsville
Reading
Scranton
Sharon
Shillington
Uniontown
Upper Darby
Wilkes-Barre
York (2)

Rhode Island (9)

Newport
Pawtucket (2)
Providence (3)
Westerly
West Warwick
Woonsocket

South Carolina (5)

Charleston
Columbia
Florence
Greenville
Spartanburg

Tennessee (7)

Chattanooga
Johnson City
Knoxville
Madison
Memphis (2)
Nashville

Texas (46)

Abilene
Amarillo
Austin (2)
Baytown
Beaumont
Brownsville
Corpus Christi (2)
Dallas (5)
El Paso
Fort Worth (2)
Galveston
Houston (9)
Laredo (2)
Lubbock
McAllen
Midland
Pasadena
Port Arthur (2)
San Angelo
San Antonio (6)
Tyler
Waco (2)
Wichita Falls

Utah (3)

Ogden
Provo
Salt Lake City

Vermont (1)

Burlington

Virginia (13)

Arlington
Danville
Falls Church
Harrisonburg
Lynchburg
New Alexandria
Newport News
Norfolk
Portsmouth
Richmond (2)
Roanoke
Warwick

Washington (3)

Seattle
Spokane
Tacoma

West Virginia (5)

Charleston
Clarksburg
Huntington
Parkersburg
Wheeling

Wisconsin (7)

Appleton
Madison
Milwaukee (3)
Oshkosh
West Allis

MILES STORES:

Connecticut (7)

Bridgeport
Danbury
East Hartford
Hamden
Meriden
South Norwalk
Stamford

District of Columbia (1)

Washington

Delaware (2)

Newark
Wilmington

Maryland (4)

Dundalk
Essex
Glen Burnie
Laurel

Massachusetts (1)

Pittsfield

New Jersey (42)

Asbury Park
Bayonne
Belleville
Bergenfield
Bloomfield
Camden
Clifton
Elizabeth
Englewood
Fairlawn
Hackensack
Hoboken
Irvington
Jersey City (5)
Linden
Long Branch
Morristown
Newark (5)
New Brunswick
Orange
Passaic
Paterson
Perth Amboy
Plainfield
Rahway
Red Bank
Toms River
Trenton (2)
Union
Union City
Vineland
West New York
Westwood

New York (116)

Albany (2)
Amsterdam
Babylon
Bay Shore
Delmar
East Syracuse
Eggertsville
Elmira
Franklin Square
Freeport
Glen Cove
Glens Falls
Gloversville
Great Neck
Hempstead (2)
Hicksville
Huntington
Lake Success
Levittown
Lynbrook
Mount Vernon
Middletown
Newburgh
New Rochelle
New York (74)
  Manhattan (17)
  Bronx (15)
  Brooklyn (19)
  Queens (21)
  Richmond (2)
Niagara Falls
Patchogue
Peekskill
Plainview
Port Chester
Poughkeepsie
Riverhead
Rochester
Schenectady
Troy
Utica
Wantagh
West Seneca
White Plains
Yonkers (2)

North Carolina (2)

Charlotte
Hickory

Ohio (7)

Cleveland
Columbus
Euclid
Maple Heights
Medina
Middleburg Heights
Willowick

Pennsylvania (11)

Easton
Erie
Havertown
Norristown
Philadelphia (2)
Pottsville
Scranton
Wilkes-Barre
Williamsport
York

South Carolina (1)

Florence

Virginia (2)

Arlington
Richmond

West Virginia (1)

Wheeling

THOM McAN

MILES SHOES

JOHN WARD

MSC 1956

MELVILLE SHOE CORPORATION

43rd Annual Report